
STATE OF TENNESSEE

**SPECIAL REPORT ON THE
WILLIAMSON COUNTY ANIMAL
CONTROL DEPARTMENT**

**FOR THE PERIOD MAY 17, 2005
THROUGH MARCH 31, 2010**



Division of County Audit



**SPECIAL REPORT ON THE
WILLIAMSON COUNTY ANIMAL CONTROL DEPARTMENT
TABLE OF CONTENTS**

Transmittal Letter	3
Special Report on the Williamson County Animal Control Department: Findings, Recommendations, and Management's Responses	4 – 10



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841
FAX (615) 741-6216**

July 26, 2010

To the Williamson County Mayor, Budget and
Purchasing Director, Director of the
Williamson County Animal Control Department,
and Board of County Commissioners
Williamson County, Tennessee

On March 25, 2010, representatives from the Office of Accounts and Budgets informed us that the December 11, 2009, deposit totaling \$356 from the Williamson County Animal Control Department (WCACD) was missing, and they suspected irregularities existed at the WCACD. Our office conducted a special investigation for the period May 17, 2005, through March 31, 2010. This investigation included a reconciliation of receipts issued by the WCACD with deposits delivered to the Office of Accounts and Budgets. Our investigation discovered that receipts of at least \$106,446.17 were not deposited or otherwise accounted for properly.

We reviewed the findings resulting from this special investigation with the county mayor, the assistant to the county mayor, budget and purchasing director, assistant budget and purchasing director, the director of the WCACD, human resources director, and the district attorney general. These findings, together with our recommendations, and the responses of the budget and purchasing director and the director of the WCACD are presented in this report.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Arnette".

Jim Arnette, Director
Division of County Audit

cc: Honorable Kim Helper, District Attorney General

**SPECIAL REPORT ON THE WILLIAMSON COUNTY
ANIMAL CONTROL DEPARTMENT**

For the Period May 17, 2005 through March 31, 2010

Findings and recommendations, as a result of our special investigation, are presented below. We reviewed these findings and recommendations with the county mayor, assistant to the county mayor, budget and purchasing director, assistant budget and purchasing director, director of the Williamson County Animal Control Department (WCACD), human resources director, and the district attorney general. The written responses of the budget and purchasing director and the director of the WCACD are paraphrased in this report.

BACKGROUND SECTION

The WCACD is responsible for 1) enforcing state and local laws pertaining to animals, 2) ensuring the welfare of animals in custody, 3) educating the community on proper pet care and safety measures, 4) and facilitating the adoption of pets in need of a home. WCACD is a component of the Williamson County primary government and is accounted for as a department within the county's General Fund. Funds collected by the WCACD are collected on site, receipted, posted to the department's accounting records, and deposited with the county's Office of Accounts and Budgets. All expenditures for the WCACD are disbursed by the Office of Accounts and Budgets through the county's budgetary process.

FINDING 10.01 A CASH SHORTAGE OF AT LEAST \$106,446.17 EXISTED IN THE WILLIAMSON COUNTY ANIMAL CONTROL DEPARTMENT AS OF MARCH 31, 2010
(Internal Control – Material Weakness Under Government Auditing Standards)

On March 25, 2010, representatives from the Office of Accounts and Budgets informed us that the December 11, 2009, deposit totaling \$356 from the WCACD was missing and they suspected irregularities existed at the WCACD. On March 26, 2010, Ms. Kerraina Jensen, bookkeeper at the WCACD submitted her resignation to be effective April 1, 2010; however, the county terminated her employment on March 30, 2010. We conducted a special investigation with the assistance of a criminal investigator with the Office of District Attorney General for the period May 17, 2005, through March 31, 2010. This investigation included a reconciliation of receipts issued by the WCACD with deposits delivered to the Office of Accounts and Budgets. Our investigation discovered that receipts of at least \$106,446.17 were not deposited with the county or otherwise accounted for properly. This shortage was accomplished by manipulating receipts and deposits. Many times receipts that were issued for cash transactions were never deposited with the county. On May 19, 2010, Ms. Kerraina Jensen gave a written confession to us and the criminal investigator to diverting department funds for her personal use. The cash shortage (\$106,446.17) could be larger because we did not include amounts for 548 voided transactions totaling \$27,419.52 due to a lack of documentation, and receipts issued by the WCACD prior to May 17, 2005, were discarded by Ms. Jensen and were not available for our review.

Several weaknesses contributed to the opportunity for the cash shortage to occur and not be detected currently by management. The Office of Accounts and Budgets neither accounted for all receipts issued by the WCACD nor reviewed the make-up of deposits from the WCACD to ensure that the proper breakdown of cash, checks, and credit card payments in each deposit reconciled with the applicable receipts. Management at the WCACD did not adequately segregate duties among employees related to the accounting system nor provide sufficient management oversight of its employees.

The following table details by fiscal year the cash shortage identified by our investigation.

Year Ended June 30	Cash Shortage
2005	\$ 2,743.00
2006	24,725.11
2007	26,850.17
2008	25,509.05
2009	16,615.68
2010	<u>10,003.16</u>
Total	<u>\$ 106,446.17</u>

RECOMMENDATION

Officials should take immediate steps to collect the \$106,446.17 cash shortage. Management at the WCACD and the Office of Accounts and Budgets should improve internal control procedures over receipts and deposits. The Office of Accounts and Budgets should perform periodic internal audit testwork at all cash collections points within the general government to ensure that collections are being accounted for properly.

MANAGEMENT'S RESPONSE – BUDGET AND PURCHASING DIRECTOR

The Office of Accounts and Budgets has internal deposit forms for county departments listing the appropriate revenue code and a breakdown of transactions for cash, checks, and credit cards. In addition to this form, WCACD is turning in supporting documentation that includes: 1) a cash box closing report that lists daily transactions by employee user, receipt number, transaction type by cash, check, or credit card, and the daily total; 2) credit card receipts with batch total; and 3) copies of any voided receipt with explanations of the void and the signature of the animal control director or assistant director on the voided receipt. For each deposit remitted to the Office of Accounts and Budgets, the accounts receivable clerk calculates the total of cash, checks, and credit card receipts, verifies receipt number sequence, and reconciles the total deposit with all supporting documentation before the issuance of a county receipt to the department.

MANAGEMENT'S RESPONSE – DIRECTOR OF WCACD

At the end of each working day, each receptionist will print and sign a cash box closing report showing transactions for the day. All transactions will be accounted for and matched to entries on this report by the director or assistant director daily. Receipt reports will be acquired from the Office of Accounts and Budgets monthly and checked for accuracy with logged daily deposits.

After our review of receipts with deposits, we performed additional testwork on the department's accounting procedures, payroll, and fuel card usage to determine if other irregularities existed. As a result of this additional test work, we discovered the following deficiencies:

FINDING 10.02 THE ANIMAL CONTROL DEPARTMENT HAD ACCOUNTING DEFICIENCIES
(A and B. – Internal Control – Significant Deficiency Under Government Auditing Standards; C. – Noncompliance Under Government Auditing Standards)

We noted the following accounting deficiencies at WCACD:

- A. Receipts were not deposited intact; i.e., funds collected during a specific period of time were not deposited together. Sound business practices dictate that collections be deposited intact to enhance internal controls.

- B. Supporting documentation for the deposits taken to the Office of Accounts and Budgets included receipts that were often not in sequential date order and this irregularity was not questioned by the Office of Accounts and Budgets. Generally the transactions that were out of sequence represented a day's worth of transactions that were stolen. Therefore, the total of cash, checks, and credit cards receipted into the accounting records of the WCACD did not agree with the receipts recorded in the General Fund maintained by the Office of Accounts and Budgets.

- C. Funds were not deposited within three days of collection. Section 5-8-207, Tennessee Code Annotated (TCA), requires county officials to deposit public funds to the office bank account within three days of collection. This deficiency allowed cash, checks, and/or credit card receipts to accumulate at the WCACD. Many deposits were taken to the Office of Accounts and Budgets over a week after the funds had been collected. The delay in depositing the funds increases the risk of fraud and misappropriation.

RECOMMENDATION

Funds received by the WCACD should be deposited intact. The Office of Accounts and Budgets should examine each deposit's supporting documentation on a current basis as an internal control procedure. The WCACD should deposit all collections within three business days as required by Section 5-8-207, TCA.

MANAGEMENT'S RESPONSE – BUDGET AND PURCHASING DIRECTOR

The Office of Accounts and Budgets has written and put in place change fund procedures. Also, the office verbally reviewed the deposit of funds within three days of collections on numerous occasions with Ms. Jensen.

MANAGEMENT'S RESPONSE – DIRECTOR OF THE WCACD

Receipts will be deposited intact and in order. WCACD will deposit all collections within three business days as required by state statute.

FINDING 10.03 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE ANIMAL CONTROL DEPARTMENT**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the employees in the WCACD. The bookkeeper, Kerraina Jensen, was solely responsible for maintaining the accounting records and compiling receipts to be deposited with the Office of Accounts and Budgets. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – DIRECTOR OF WCACD

To segregate the duties of the bookkeeper, designated employees, chosen by and including the director, will be instructed how to maintain accounting records properly and how to prepare and deposit receipts daily.

FINDING 10.04 **THE ANIMAL CONTROL DEPARTMENT HAD PAYROLL DEFICIENCIES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

We reviewed the payroll records for the period January 2009 through April 2010, and noted the following deficiencies:

- A. The bookkeeper, Kerraina Jensen, maintained all timecards and other time logs related to payroll at the WCACD.
- B. Employees clocked in-and-out using electronic timecards; however, we noted many instances where Ms. Jensen’s timecard had time penciled in on the timecard. Other instances were noted where Ms. Jensen’s timecard reflected she worked through lunch. These exceptions had no indication of approval by her supervisor.
- C. Many times leave approval forms for Ms. Jensen contained no specific quantity of leave requested; however, these forms were approved by her supervisor. In most instances, Ms. Jensen’s timecard reflected no time off for the periods related to the requested leave approval forms.
- D. Numerous errors were noted in calculating regular time and compensatory time for employees of the WCACD.

RECOMMENDATION

Management should segregate the time reporting duties. Any changes to the electronic timecards should be evidenced by supervisory approval and have adequate supporting documentation. Leave approval forms should reflect a specific quantity of time requested by the employee before approval by management. Time records should reflect all time off used by the employee. The calculation of hours worked should be verified for accuracy before being approved.

MANAGEMENT’S RESPONSE – DIRECTOR OF WCACD

- A. Ms. Jensen did maintain all of the timecards at WCACD; however, every pay period the director checked them for accuracy of calculations of time and overtime and compared days taken with prior written requests. Timesheets were initialed and faxed to payroll only after they were checked by the director.
- B. Timecard adjustments were noted and approved by the director or assistant director by initialing so the bookkeeper would know that such adjustments were approved. Bookkeeper’s exceptions were acknowledged verbally to indicate approval.

- C. Ms. Jensen often scheduled outside activities such as doctor's and dentist's appointments and school related meetings to coincide with her lunch breaks. She would request the leave uncertain if the lunch break would cover the necessary time for the appointment. Approval of these requests were dependent upon Ms. Jensen reporting if additional time had been required.

AUDITOR'S REBUTTAL

- B. Adjustments to the bookkeeper's timecards did not have adequate supporting documentation.
- C. Supervisors approved leave forms that contained no specific time amounts. These leave forms should be finalized and approved after the employee returns to work and knows the exact amount of leave taken.

FINDING 10.05 THE DEPARTMENT HAD DEFICIENCIES IN ITS USE OF FUEL CARDS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

One fuel card from TriStar Energy was maintained in each of the nine vehicles maintained by the WCACD. Each employee had his/her own assigned pin number that could be used with any vehicle. We reviewed the fuel card usage records for the period July 2009 through May 2010, and noted the following deficiencies:

- A. Fuel cards for vehicles that were no longer in use were not deactivated. Five fuel cards were discovered in an envelope in Ms. Jensen's desk related to vehicles no longer maintained by the department.
- B. Employees' pin numbers were not confidential. Ms. Jensen allowed a new employee to use her pin number. Another instance was noted where an employee wrote her pin number on the fuel card maintained in one vehicle.
- C. Employees whose employment had been terminated were maintained on a list of authorized fuel card users.
- D. Fuel receipts were not reconciled with usage billing statements.

RECOMMENDATION

Fuel cards that are no longer in use should be deactivated and turned in to the county purchasing agent. Employees should keep their pin numbers confidential. Employees whose employment has been terminated should be removed from the list of authorized fuel card users. Management should review the detailed billing of fuel usage by employees to monitor fuel usage by the office.

MANAGEMENT'S RESPONSE – BUDGET AND PURCHASING DIRECTOR

- A. The WCACD official will contact the purchasing director to deactivate cards for vehicles that are no longer in use. The department official will destroy the cards that have been deactivated. Williamson County inventory control will include inspection of fuel cards during annual inventory to determine that the proper card is in the vehicle as assigned or in a secure location.
- B. A unique pin number of the employees' choosing is assigned to the employee. It is the individual employee's responsibility to maintain the privacy of that number. A master list of pin numbers is maintained in the fuel card providers system. The purchasing department does not keep a separate listing of pin numbers to maintain the integrity of the pin numbers assigned.
- C. The department official is responsible for notifying the purchasing agent of any employee termination. The employee will be deactivated/deleted from the fuel card system. Starting July 1, 2010, the purchasing agent will request any changes for user or vehicle information directly to the fuel card vendor. Prior to July 1, 2010, the department official was responsible for reporting any change of information to the fuel card vendor.

MANAGEMENT'S RESPONSE – DIRECTOR OF WCACD

The director has taken over the management of the fuel cards. The list containing active employees and vehicle fleet information has been updated. Employees were asked to change their pin number if there was a possibility that the information had been compromised. Additional efforts are in force to turn in all fuel receipts to confirm the time and location each card was used, plus to check that the card was used during the time that the employee was on the clock. A log has been placed in all trucks to document date and time, mileage, location, and amount of fuel. This will also help correct any mistakes in recording mileage at the pump.